

Ea\$y Money – COBRA

What it is: Health insurance can be very expensive and many families find more reasonable rates through employer insurance plans. So what happens to your insurance coverage if you lose your job or get divorced? Well, in 1986 congress passed a federal law, the Consolidated Omnibus Budget Reconciliation Act (COBRA) which requires most group health plans to provide a temporary continuation of group health coverage that otherwise might be terminated.

How it works: COBRA insurance will usually continue for 18 months after a qualifying event. According to the U.S. Department of Labor, “COBRA requires continuation coverage to be offered to covered employees, their spouses, their former spouses, and their dependent children when group health coverage would otherwise be lost due to certain specific events. Those events include the death of a covered employee, termination or reduction in the hours of a covered employee's employment for reasons other than gross misconduct, divorce or legal separation from a covered employee, a covered employee's becoming entitled to Medicare, and a child's loss of dependent status (and therefore coverage) under the plan.”

Why it matters: Although COBRA provides the ability to continue on an employer's insurance plan you may be required to pay the full premium for health coverage up to 102% of the plan costs. COBRA often costs more because the employer is no longer paying a portion of the coverage; however, the costs are usually less than individual health plan and it is certainly better than having no health care coverage.

Who should care? COBRA is an important consideration when your employment circumstances change but it is just one health coverage option. Losing your job-based health is considered a special enrollment event in the Health Insurance Marketplace. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. In the Marketplace, you could be eligible for a tax credit that lowers your monthly premiums and cost-sharing reductions (amounts that lower your out-of-pocket costs for deductibles, coinsurance, and copayments), and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll.

Eligibility for COBRA continuation coverage won't limit your eligibility for Marketplace coverage or for a tax credit. To qualify for special enrollment in a Marketplace plan, you must select a plan within 60 days before or 60 days after losing your job-based coverage. (Source U.S. Department of Labor)

For more information

- Health Care Market Place <https://www.healthcare.gov/>
- Iowa State University Extension and Outreach Money Blogs tips <http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at www.extension.iastate.edu/humansciences/
- U.S. Department of Labor <http://www.dol.gov/ebsa/publications/cobraemployee.html>